



HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

AN EQUAL EMPLOYMENT OPPORTUNITY - AFFIRMATIVE ACTION EMPLOYER

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PRESIDENT AND CEO
DOUGLAS GUTHRIE

January 17, 2019

TRANSMITTED VIA EMAIL

The Honorable Congresswoman Maxine Waters
2221 Rayburn House Office Building
Washington, DC 20515

The Honorable Congresswoman Karen Bass
2059 Rayburn House Office Building
Washington, DC 20515

The Honorable Congresswoman Nanette Diaz Barragan
1030 Longworth House Office Building
Washington, DC 20515

The Honorable Congressman Jimmy Gomez
1530 Longworth House Office Building
Washington, DC 20515

The Honorable Congresswoman Lucille Roybal-Allard
2083 Rayburn House Office Building
Washington, DC 20515

The Honorable Congressman Tony Cardenas
2438 Rayburn House Office Building
Washington, DC 20515

The Honorable Senator Dianne Feinstein
331 Hart Senate Office Building
Washington, DC 20510

The Honorable Senator Kamala D. Harris
112 Hart Senate Office Building
Washington, DC 20510

Dear Congressmembers/Senators:

As this unprecedented shutdown of vital federal agencies continues the safety net for those households that are the most vulnerable in our society are being increasingly threatened. The Housing Authority of the City of Los Angeles (HACLA) is one of the largest housing authorities in the country and provides housing assistance to nearly 115,000 households with an annual budget of \$1.3 billion, the majority of which comes from HUD subsidy payments. The majority of those being served are senior citizens or disabled. If the shutdown isn't resolved soon the impact on these individuals and on the City of Los Angeles would be devastating. We have been assured by HUD that funding for public housing and the Section 8 Housing Choice Voucher program will be available for February, but will not be adequate to meet obligations for the month of March. In addition to HACLA's core programs we also administer Project Based Rental Assistance contracts for HUD's multifamily housing program throughout Southern California. Expiring contracts in this portfolio of projects are supposed to be approved before expiration so Section 8 payments can be made to the owners on a timely basis; however, when the shutdown began, HUD had not approved contracts that expired in December, 2018, and are not processing those contracts that will expire in January, 2019. The impacts of lapses in funding are as follows:

HACLA owns and manages nearly 7,000 public housing units and an additional 2,400 affordable housing units. We anticipate full funding for operations through the end of February. We have also committed 2018 capital funding and have been informed that funding should be available to us. If the shutdown continues past March 1, HACLA has adequate public housing reserves to continue for one additional month. Beyond that period there will be limited income to adequately manage and maintain the housing going forward.

HACLA operates one of the largest Section 8 programs in the country with nearly 59,000 households receiving assistance. Nearly 19,000 of these units are targeted to the City's homeless population, including 4,500 VASH units for homeless veterans. There are numerous public, private, and philanthropic partners involved in providing development and mental health services to these programs. The underlying housing subsidies are fundamental to successfully providing housing for the homeless. HACLA also provides project based Section 8 for the development of new permanent and supportive housing (PSH) for the homeless. There are 6,000 units under contract and HACLA has committed to provide an additional 1,000 Section 8 Project-Based Vouchers annually to new PSH currently being developed through partnerships and funding from the City and County. There are currently 41 projects for 3,000 new PSH units in the pipeline. We have already seen delays in project closings and construction starts during January due to HUD staffing absences. Lenders and equity providers are unlikely to close on the financing due to the uncertainty of long term Section 8 contracts being paid. At a minimum we expect lenders and equity providers to require much larger reserves to be funded up front, thereby increasing the costs and threatening the financial viability. Section 8 payments are scheduled to stop March 1. Should those Section 8 payments to the projects be stopped there will not be adequate funding for operating properties or making debt payments. In addition to Section 8 targeted to the homeless population HACLA administers the Housing Choice Voucher program for nearly 40,000 households. These are households living in private housing with the rental subsidies being paid directly to the landlord. We have 14,000 landlords participating in the program, most of which are small family run businesses. Because of the extremely tight rental market in Los Angeles and the escalating rents there are already fewer landlords willing to participate in this program. If payments are not made in March there will likely be a growing impact on displacement of tenants and landlords that will look to no longer participate in the Section 8 program. The impacts would be long lasting.

Finally, HACLA is a Project Based Contract Administrator for HUD multifamily properties throughout Southern California. HACLA administers 700 project contracts for 47,000 Section 8 housing units with 17,000 of those units in the City of Los Angeles. These contracts are adjusted and renewed annually throughout the year. When the shutdown began there were a number of contracts in process but were not executed by HUD. There are additional contracts that need to be executed in January and February to avoid a lapse in payments. In total for those three months there are 36 contracts totaling 750 units in Los Angeles and a total of 62 contracts and 2,200 housing units throughout Southern California being administered by HACLA. Total monthly Section 8 payments due would be \$1.7 million. Some building owners will have adequate reserves for up to three months, while others will have no reserves and face immediate hardships.

In Los Angeles we desperately need to build new and preserve existing affordable housing. Already we are fielding numerous calls from tenants, landlords, and developers expressing increasing anxieties over these uncertainties. Any stoppage of the regular funding stream will be catastrophic for the residents we serve and would result in long term damage to the entire affordable housing industry. This shutdown needs to end now and full funding needs to be restored immediately.

Sincerely,



Douglas Guthrie
President and CEO